



GENERAL ASSEMBLY
AND SUPPORTING FUNCTIONS

HOUSE OF REPRESENTATIVES

THREE YEARS ENDED JUNE 30, 1999

**From The Office Of State Auditor
Claire McCaskill**

Report No. 2000-33
May 12, 2000
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2000

The following findings were noted as a result of an audit conducted by our office of the General Assembly - House of Representatives.

Improvements were noted in the operations and procedures of the House of Representatives during the three years ended June 30, 1999. All the recommendations made in the previous audit of the House (covering the three years ended June 30, 1993) had been either fully or substantially implemented.

Current findings included:

- The personnel files of central staff employees did not contain any performance appraisals as required by House policy.
- There was not a policy regarding the employment and supervision of related parties. It was noted that a supervisory employee directly supervised two close relatives.
- During a review of the expenses accounts, we noted certain incidental or miscellaneous items claimed and reimbursed which may not follow guidelines established by the House. Also a limit has not been set on the number or dollar value that can be reimbursed for such things as memberships or subscriptions.

It appears the House policy needs to be more specific as to what incidental or miscellaneous items are reimbursable. In addition, the House should consider revising its policy to limit the number or amount of additional memberships and subscriptions that will be reimbursed to a representative.

In its responses to the related recommendations, the House indicated that it agrees performance appraisals lead to improvement in employee performance and are useful management tools. During the period covered by the audit, the House had discontinued the old "check-the-box" performance instrument and worked on developing a much improved appraisal instrument. All department directors, supervisors, and central staff have been evaluated under the new system. In addition, the House responded that new or revised related-party and expense account reimbursement policies have recently been adopted to address the concerns noted.

YELLOW SHEET

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES

TABLE OF CONTENTS

		<u>Page</u>
<u>FINANCIAL SECTION</u>		
State Auditor's Reports:		2-6
Financial Statements		3-4
Compliance and Internal Control over Financial Reporting		5-6
Financial Statements:		7-9
<u>Exhibit</u>	<u>Description</u>	
A	Comparative Statement of Receipts, Disbursements, and Changes in Cash and Cash Equivalents, House of Representatives Revolving Fund, Years Ended June 30, 1999, 1998, and 1997	8
B	Comparative Statement of Appropriations and Expenditures, Years Ended June 30, 1999, 1998, and 1997	9
Supplementary Data: 10-12		
<u>Schedule</u>		
1	Comparative Statement of Expenditures (From Appropriations), Five Years Ended June 30, 1999	11
2	Statement of Changes in General Fixed Assets, Years Ended June 30, 1999, 1998, and 1997	12
Notes to the Financial Statements and Supplementary Data		13-17
<u>MANAGEMENT ADVISORY REPORT SECTION</u>		
Management Advisory Report - State Auditor's Current Recommendations:		19-23

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES

TABLE OF CONTENTS

	<u>Page</u>
<u>MANAGEMENT ADVISORY REPORT SECTION</u>	
Summary of Findings.....	20
<u>Number</u>	<u>Description</u>
1.	Personnel Matters.....21
2.	Expense Reimbursements22
Follow-up on State Auditor's Prior Recommendations	24-27
<u>STATISTICAL SECTION</u>	
History, Organization, and Statistical Information	29-32

FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS

Members of the House of Representatives
Jefferson City, Missouri 65102

We have audited the accompanying special-purpose financial statements of the various funds of the House of Representatives as of and for the years ended June 30, 1999, 1998, and 1997, as identified in the table of contents. These special-purpose financial statements are the responsibility of the House's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

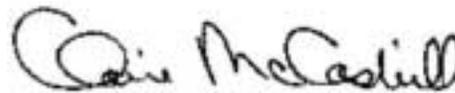
The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash and investments of the House of Representatives Revolving Fund; and the appropriations and expenditures of the various funds of the House of Representatives and are not intended to be a complete presentation of the financial position and results of operations of the various funds of the House.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash and investments of the House of Representative Revolving Fund; and the appropriations and expenditures of the various funds of the House of Representatives as of and for the years ended June 30, 1999, 1998, and 1997, in conformity with the comprehensive bases of accounting discussed in Note 1, which are bases of accounting other than generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 3, 1999, on our consideration of the House's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the special-purpose financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying financial information listed as supplementary data in the table of contents is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the House's management and was not subjected to the auditing procedures applied in the audit of the special-purpose financial statements referred to above.



Claire McCaskill
State Auditor

December 3, 1999 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Robert McArthur
Audit Staff:	Tara Shah
	Patrick Corbett



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Members of the House of Representatives
Jefferson City, Missouri 65102

We have audited the special-purpose financial statements of the House of Representatives as of and for the years ended June 30, 1999, 1998, and 1997, and have issued our report thereon dated December 3, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

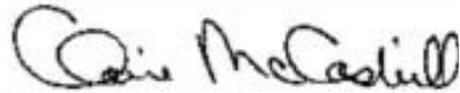
As part of obtaining reasonable assurance about whether the special-purpose financial statements of the House of Representatives are free of material misstatement, we performed tests of the House's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of the House of Representatives, we considered the House's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing

their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of the House of Representatives and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive style with a large initial 'C'.

Claire McCaskill
State Auditor

December 3, 1999 (fieldwork completion date)

Financial Statements

Exhibit A

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
 HOUSE OF REPRESENTATIVES
 HOUSE OF REPRESENTATIVES REVOLVING FUND
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
 AND INVESTMENTS

	Year Ended June 30,		
	1999	1998	1997
RECEIPTS			
Sales	\$ 18,950	18,675	20,400
Refunds and reimbursements	663	914	30,495
Miscellaneous	12,918	13,802	14,372
Total Receipts	<u>32,531</u>	<u>33,391</u>	<u>65,267</u>
DISBURSEMENTS			
Expense and equipment	35,998	25,186	39,209
Transfers to General Revenue Fund -			
State (Note 4)	1,107	29,597	0
Total Disbursements	<u>37,105</u>	<u>54,783</u>	<u>39,209</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,574)	(21,392)	26,058
CASH AND INVESTMENTS, JULY 1	<u>16,135</u>	<u>37,527</u>	<u>11,469</u>
CASH AND INVESTMENTS, JUNE 30	\$ <u><u>11,561</u></u>	<u><u>16,135</u></u>	<u><u>37,527</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
 HOUSE OF REPRESENTATIVES
 COMPARATIVE STATEMENT OF APPROPRIATIONS AND EXPENDITURES

	Year Ended June 30,								
	1999			1998			1997		
	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances	Appropriations	Expenditures	Lapsed Balances
GENERAL REVENUE FUND - STATE									
House contingent expenses:									
Representatives' expense vouchers	\$ 1,956,000	1,491,175	464,825	1,173,600	831,885	341,715	1,173,600	882,212	291,388
Leadership aides and secretaries	4,142,433	3,751,181	391,252	3,935,403	3,542,449	392,954	3,688,288	3,230,654	457,634
House mailing	0	0	0	489,000	460,376	28,624	489,000	479,347	9,653
House research staff	884,169	803,419	80,750	708,965	705,777	3,188	675,865	641,993	33,872
Committee operations	260,298	230,057	30,241	260,298	215,008	45,290	260,298	147,274	113,024
House staff	4,736,769	3,624,607	1,112,162	4,819,146	3,476,220	1,342,926	4,467,312	3,744,256	723,056
Appropriations Committee staff	421,793	312,156	109,637	404,298	320,466	83,832	387,637	301,040	86,597
Salaries of members	4,747,416	4,604,994	142,422	4,512,371	4,471,528	40,843	4,375,893	4,342,400	33,493
Members' per diems	1,083,950	790,856	293,094	1,083,950	819,832	264,118	496,335	416,150	80,185
Members' mileage	342,660	250,231	92,429	334,160	252,599	81,561	328,298	254,631	73,667
Total General Revenue Fund - State	<u>18,575,488</u>	<u>15,858,676</u>	<u>2,716,812</u>	<u>17,721,191</u>	<u>15,096,140</u>	<u>2,625,051</u>	<u>16,342,526</u>	<u>14,439,957</u>	<u>1,902,569</u>
HOUSE OF REPRESENTATIVES REVOLVING FUND									
House contingent expenses	45,000	36,893	8,107	45,000	23,418	21,582	45,000	39,378	5,622
Total All Funds	<u>\$ 18,620,488</u>	<u>15,895,569</u>	<u>2,724,919</u>	<u>17,766,191</u>	<u>15,119,558</u>	<u>2,646,633</u>	<u>16,387,526</u>	<u>14,479,335</u>	<u>1,908,191</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Supplementary Data

Schedule 1

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
 HOUSE OF REPRESENTATIVES
 COMPARATIVE STATEMENT OF EXPENDITURES (FROM APPROPRIATIONS)

	Year Ended June 30,				
	1999	1998	1997	1996	1995
Personal service	\$ 11,537,193	10,993,278	10,280,828	9,358,108	8,667,382
Travel and vehicle expense	1,485,770	1,480,738	1,010,098	1,035,830	1,038,264
Transportation equipment purchases	0	0	16,873	0	18,928
Office expense	995,078	865,495	779,771	615,850	614,646
Office and communication equipment purchases	92,249	97,015	118,713	90,100	235,290
Communication expense	1,134,189	1,041,921	983,180	1,000,972	874,242
Institutional and physical plant:					
Expense	115,632	85,112	106,130	180,355	229,692
Purchases	10,755	3,453	7,211	31,429	11,089
Data processing expense and equipment	387,161	395,467	1,026,593	820,548	435,835
Professional services	19,350	20,790	40,284	49,420	24,611
Other expense	118,192	136,289	109,654	57,224	32,125
	\$ <u>15,895,569</u>	<u>15,119,558</u>	<u>14,479,335</u>	<u>13,239,836</u>	<u>12,182,104</u>

The accompanying Note to the Supplementary Data is an integral part of this statement.

Schedule 2

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
 HOUSE OF REPRESENTATIVES
 STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

	Furniture and Equipment	Vehicles	Total
Balance, July 1, 1996	\$ 4,346,147	36,448	4,382,595
Additions	786,772	16,873	803,645
Dispositions	(58,220)	(17,520)	(75,740)
Balance, June 30, 1997	<u>5,074,699</u>	<u>35,801</u>	<u>5,110,500</u>
Additions	1,366,035	0	1,366,035
Dispositions	(627,893)	0	(627,893)
Balance, June 30, 1998	<u>5,812,841</u>	<u>35,801</u>	<u>5,848,642</u>
Additions	455,924	0	455,924
Dispositions	(499,372)	0	(499,372)
Balance, June 30, 1999	<u><u>\$ 5,769,393</u></u>	<u><u>35,801</u></u>	<u><u>5,805,194</u></u>

The accompanying Note to the Supplementary Data is an integral part of this statement.

Notes to the Financial Statements and Supplementary Data

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
NOTES TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Notes to the Financial Statements:

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present only selected data for each fund of the House of Representatives.

Receipts, disbursements, and changes in cash and investments are presented in Exhibit A for the House of Representatives Revolving Fund. Appropriations from this fund are expended by or for the House for restricted purposes.

Appropriations, presented in Exhibit B, are not separate accounting entities. They do not record the assets, liabilities, and equities of the related funds but are used only to account for and control the House's expenditures from amounts appropriated by the General Assembly.

Expenditures presented for each appropriation may not reflect the total cost of the related activity. Other direct and indirect costs provided by the House and other state agencies are not allocated to the applicable fund or program.

B. Basis of Accounting

The Statement of Receipts, Disbursements, and Changes in Cash and Investments, Exhibit A, prepared on the cash basis of accounting, presents amounts when they are received or disbursed.

The Statement of Appropriations and Expenditures, Exhibit B, is presented on the state's legal budgetary basis of accounting, which recognizes expenditures on the encumbrance method. Expenditures include amounts payable or encumbered at June 30 and paid during the lapse period, which ends August 31 for regular appropriations and December 31 for capital improvement appropriations. The authority to expend appropriations ends with the close of the lapse period. However, the General Assembly may authorize reappropriation of the unexpended balances of capital improvement appropriations for the following year. The General Assembly also may authorize biennial capital improvement appropriations, for which the unexpended balances at June 30 of the first year of the two-year period are reappropriated for expenditure during the second year.

The cash basis of accounting and the budgetary basis of accounting differ from generally accepted accounting principles, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Fiscal Authority and Responsibility

The House administers transactions in the funds listed below. The state treasurer as fund custodian and the Office of Administration provide administrative control over fund resources within the authority prescribed by the General Assembly.

House of Representatives Revolving Fund: This fund was established by Section 21.232, RSMo 1994, to receive funds paid or transferred to the House of Representatives for printing, duplicating, surplus property sales, refunds from vendors, personal reimbursements, or any other service for which a fee is charged. Expenditures are authorized by appropriation of the General Assembly and by the House of Representatives' Operations Committee. The unexpended balance exceeding \$5,000 at the end of the biennium is transferred to the General Revenue Fund-State.

General Revenue Fund-State: The House receives appropriations from this fund and does not maintain a proprietary interest in the fund. Appropriations from the fund are used for the basic operation of the House, including those programs and services that have no other funding source. These appropriations also may be used to initially fund, or to provide matching funds or support for, programs paid wholly or partially from other sources.

D. Employee Fringe Benefits

In addition to the social security system, employees are covered by the Missouri State Employees' Retirement System (MOSERS) (a noncontributory plan) and may participate in the state's health care, optional life insurance, deferred compensation, and cafeteria plans. The optional life insurance and cafeteria plans involve only employee contributions or payroll reductions. Also, the deferred compensation plan involves employee payroll deferrals and a monthly state matching contribution for each participating employee.

The state's required contributions for employee fringe benefits are paid from the same funds as the related payrolls. Those contributions are for MOSERS (retirement, basic life insurance, and long-term disability benefits); social security and medicare taxes; health care premiums; and the deferred compensation plan match.

Transfers related to salaries are not appropriated by agency and thus are not presented in the financial statement at Exhibit B.

2. Cash

The balance of the House of Representatives Revolving Fund is pooled with other state funds and invested by the state treasurer.

3. Reconciliation of Total Disbursements to Appropriated Expenditures

Disbursements on Exhibit A reconcile to appropriated expenditures of the House of Representatives Revolving Fund on Exhibit B as follows:

	Year Ended June 30,		
	1999	1998	1997
DISBURSEMENTS PER EXHIBIT A	\$ 37,105	54,783	39,209
Lapse period expenditures:			
1999	895	0	0
1998	0	(1,142)	1,142
1997	0	0	(1,599)
Accounts payable, June 30, 1997	0	(626)	626
Transfers	(1,107)	(29,597)	0
EXPENDITURES PER EXHIBIT B	\$ <u>36,893</u>	<u>23,418</u>	<u>39,378</u>

4. Transfers to General Revenue Fund-State

In accordance with Section 21.232, RSMo 1994, the unexpended balance of the House of Representatives Revolving Fund not exceeding \$5,000 is exempt from the provisions of Section 33.080, RSMo 1994. That statute provides that the state treasurer will make a biennial transfer of unexpended funds to the state's General Revenue Fund. The transfer amount presented for the year ended June 30, 1998, represents the excess balance over \$5,000, and the fund's proportional share of fiscal year 1996 and 1995 refunds required by Article X, Section 18 of the Missouri Constitution. The transfer amount presented for the year ended June 30, 1999, represents fiscal year 1997 refunds required by Article X, Section 18 of the Missouri Constitution.

Note to the Supplementary Data:

5. General Fixed Assets

General fixed assets, which are recorded as expenditures when acquired, are capitalized at cost in the General Fixed Assets Account Group and are not depreciated.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Current Recommendations

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
SUMMARY OF FINDINGS

1. Personnel Matters (pages 21-22)

Performance appraisals have not been prepared for central staff in accordance with House policy. The House does not have a policy regarding the employment and supervision of related parties.

2. Expense Reimbursements (pages 22-23)

The House should clarify its expense account reimbursement policy regarding incidental and miscellaneous expenses and consider limiting the number of memberships and subscriptions, which will be reimbursed.

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S CURRENT RECOMMENDATIONS

We have audited the special-purpose financial statements of the House of Representatives as of and for the years ended June 30, 1999, 1998, and 1997, and have issued our report thereon dated December 3, 1999.

The following Management Advisory Report presents our findings and recommendations arising from our audit of the House's special-purpose financial statements. During our audit, we also identified certain management practices, which we believe could be improved. Our audit was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in the following report should not be considered as all-inclusive of areas where improvements may be needed.

1. Personnel Matters

- A. The House of Representatives' Administrative Manual provides that all new central staff employees are to be evaluated by their supervisor at the end of a six-month probationary period. In addition, performance appraisals are to be completed annually on the anniversary date of each employee's employment. However, the personnel files we reviewed of central staff employees did not contain any performance appraisals for the three years of the audit period; therefore, it is apparent the House has not complied with this policy.

Written performance appraisals can lead to improvement in employee performance and are useful in evaluating employees for salary increases, promotions, and other personnel actions. Performance appraisals may also be used as documentation and support in the decision to terminate an employee.

It should be noted that in September 1999, the House of Representatives instituted a new performance appraisal system, and it appears efforts have recently been made to remind supervisors of the need to prepare the appraisals on a timely basis.

- B. The House of Representatives does not have a policy regarding the employment and supervision of related parties. During our review, we noted that a supervisory employee directly supervises two close relatives. This individual's position requires him to interview prospective candidates and make recommendations in regard to the hiring of employees, to evaluate staff performance, and to approve time sheets. When related personnel supervise one another or if related employees work with financial operations, there is increased potential for problems or misappropriation.

The House of Representatives has a nepotism policy which prohibits the hiring of any person related to any representative within the fourth degree by blood or marriage; however, this policy relates only to the employment of relatives related to a representative and does not take into consideration the family relationship between employees.

A formal policy should be established to address the employment and supervision of individuals who are related to each other.

WE RECOMMEND the House of Representatives:

- A. Ensure written employee performance appraisals are prepared in accordance with House policy.
- B. Establish and adopt a written related party policy which restricts related employees from directly supervising each other and/or working with financial operations.

AUDITEE'S RESPONSE

- A. *The House of Representatives agrees that performance appraisals lead to improvement in employee performance and are useful management tools. To this end, the House has committed over two years to a complete revision of its performance appraisal program for central staff. During this revision period the old performance instrument, a "check-the-box" form, was discontinued. This period coincided with the audit period. Concurrently with the audit period, supervisors attended OA training on collaborative goals setting and techniques for coaching to improve employee performance. Also at the same time, the content and form of performance appraisal documents was changed to an "essay" system, and automated. The new system was implemented at the management level during the audit period (May and June 1999), and subsequently evaluated for its application to central staff. It was then implemented during the fall of 1999 for all central staff employees. All department directors, supervisors, and central staff have been evaluated under the new system.*
- B. *The House of Representatives has recently adopted a written, related-party policy, which restricts related employees from directly supervising each other as well as expands the House nepotism policy to include family relationships between employees.*

2.

Expense Reimbursements

According to House policy, representatives are allowed to pay for expenses out-of-pocket, request reimbursement on their expense account, and receive reimbursement in accordance with the limits imposed on their \$1,000 monthly expense allowance. All transactions are subject to internal review procedures and approval of the Chief Clerk.

House policy allows for reimbursement of travel, meals, lodging, equipment, telephone charges, postage, district office space and staff, office supplies, and other incidental or miscellaneous expenses. The incidental or miscellaneous expenses are defined as picture frames, flags, and expenses that generally conform to State of Missouri Travel Regulations as published by the Office of Administration. Expenses allowed by the State Travel Regulations include telephone charges, postage, small emergency supplies, and other incidental expenses that are reasonable and related to state business. Items such as clothing, plants, pictures, decorative items, and alcoholic beverages are specifically prohibited.

During our review of the expense accounts, we noted certain incidental or miscellaneous items claimed and reimbursed which may not follow the guidelines described above. These items included gifts to a foreign delegation, various books and magazine subscriptions, and caucus dues. Some other questionable items were claimed but not reimbursed after review by the House. We also noted that the House policy has not set a limit on the number or dollar value that can be reimbursed for such things as memberships or subscriptions.

It appears the House policy may need to be more specific as to what incidental or miscellaneous items are reimbursable. In addition, the House should consider revising its policy to limit the number or amount of additional memberships and subscriptions that will be reimbursed to a representative.

WE RECOMMEND the House of Representatives review its expense account reimbursement policy regarding incidental or miscellaneous expenses and consider revising the policy to clarify what expenses will or will not be reimbursed. While reviewing the policy, the House should consider revising the policy to limit the number or dollar amount of memberships and subscriptions that will be reimbursed to a representative.

AUDITEE'S RESPONSE

The House has recently adopted a revision to its expense account reimbursement policies detailing the purpose of the expense account, allowable, limited and non-allowable reimbursements, travel, mailings, leasing and subscription services. Limits have been established for memberships and guidelines established for allowable subscriptions.

This report is intended for the information of the management of the House of Representatives and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

Follow-Up on State Auditor's Prior Recommendations

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
FOLLOW-UP ON STATE AUDITOR'S PRIOR RECOMMENDATIONS

This section reports follow-up action taken by the House of Representatives on recommendations made in the Management Advisory Report (MAR) of our report issued for the three years ended June 30, 1993. Although the partially implemented recommendation has not been repeated, the House of Representatives should consider implementing this recommendation.

1. Expenditures and Purchasing Procedures

- A. The House's bid policy required bids to be obtained for all purchases in excess of \$2,000. Bids were not solicited for some purchases meeting this requirement. In addition, the bid policy did not address purchases less than \$2,000.
- B. Written contracts could not be located related to outside legal services.
- C. Some equipment purchased and received did not meet the bid specifications.
- D. An instance was noted where the purchase order issued for a piece of equipment was for considerably more than the original price quote. In addition, the interest rate charged on the lease purchase related to this equipment was unreasonable.

Recommendation:

The House of Representatives:

- A. Ensure current bid policies are followed or reasons for deviations from the policy are documented and develop a written policy detailing purchasing requirements for purchases less than \$2,000.
- B. Ensure all legal services are supported by written contracts specifying duties to be performed and compensation to be paid.
- C. Review equipment purchased to ensure it complies with the bid specification.
- D. Monitor all transactions to ensure the proper price and a reasonable rate of interest are paid.

Status:

A&B. Implemented.

C&D. No similar transactions were noted during the current audit period.

2. Sale of Property

Representatives and their staff were allowed to purchase used office furniture and equipment at amounts significantly below the original cost.

Recommendation:

The House of Representatives consider turning idle assets over to State Surplus Property.

Status:

Implemented.

3. Sick Leave Policy

House employees earned 16 hours of sick leave per month, rather than the 10 hours earned by most state employees. As a result, the accumulated sick leave reported for terminating House employees for retirement purposes exceeded the amounts authorized by state law.

Recommendation:

The House of Representatives amend its sick leave policy so House employees earn the standard 10 hours of sick leave per month. Regardless, accumulated sick leave certified to the retirement system should be reported on a 10 hour per month accrual basis.

Status:

Implemented.

4. Use of State Resources

Representatives were given a \$600 monthly allowance to cover travel expenses, office expenses, district personnel, etc. Reimbursement claims were noted for Christmas cards and various advertisements that did not appear to be for necessary state business.

Recommendation:

The House of Representatives discontinue these practices. Additionally, the House of Representatives should review all expense accounts to determine if reimbursements to the state are necessary.

Status:

Partially implemented. The House has discontinued the practice of reimbursing claims for Christmas cards and advertisements that do not appear to be related to state business;

however, the House did not review prior expenses to determine if any reimbursements to the state were necessary. Although, not repeated in the current MAR, our recommendation remains as stated above.

STATISTICAL SECTION

History, Organization, and
Statistical Information

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
HISTORY, ORGANIZATION, AND STATISTICAL SECTION

Legislative power in Missouri is vested by Article III, Section 1 of the 1945 Constitution in the General Assembly, more commonly known as the legislature. The legislature is composed of the Senate and the House of Representatives.

The House of Representatives consists of 163 members elected for two-year terms at each general election. The House of Representatives convenes annually on the first Wednesday following the first Monday in January and adjourns on May 30 with no consideration of bills after 6:00 p.m. on the first Friday after the second Monday in May.

Each representative must be at least twenty-four years of age, a qualified voter of the state for two years, and of the district he/she represents for one year. The speaker of the House of Representatives is the presiding officer.

Representatives received salaries as follows:

<u>Positions</u>	<u>Year Ended June 30,</u>		
	<u>1999</u>	<u>1998</u>	<u>1997</u>
Speaker of the house	\$ 31,580	30,104	29,303
Speaker pro tem and floor leaders	30,580	29,140	28,303
All remaining representatives	29,080	27,640	26,803

Representatives were authorized to receive per diems and mileage reimbursement as follows:

<u>Effective Dates</u>	<u>Per Diem</u>	<u>Mileage Rate</u>
July 1, 1996 - December 31, 1997	\$35.00	
January 1, 1998 - December 31, 1998	65.60	
January 1, 1999 - June 30, 1999	68.80	
July 1, 1996 - June 30, 1997		\$0.280
July 1, 1997 - June 30, 1998		0.285
July 1, 1998 - June 30, 1999		0.295

Members do not receive per diems or statutory mileage allowances during technical sessions; however, mileage expenses are reimbursed from the House of Representatives' contingency funds. Each member is also credited with \$1,000 a month (effective July 1, 1998; previously \$600 a month) to cover the cost of office supplies, district staff salaries, postage, mileage incurred and not paid for by statute, and other incidental expenses. In addition, prior to July 1, 1998, members also received an annual allowance of \$3,000 to cover the costs of printing and postage of legislative mailings to members' constituents. Any amounts exceeding this allowance were charged against the monthly expense allowance. Effective July 1, 1998, this allowance was combined with the members' \$600 account to establish the current \$1,000 account.

In 1973, the General Assembly was authorized full-time staffing as a result of a 1970 constitutional amendment creating annual legislative sessions.

In 1975, the positions of chief clerk and house administrator were merged into one position, which is currently filled by a full-time chief clerk. The House of Representatives is organized into eight divisions consisting of: appropriations, information technology, accounting, research, human resources, information, operations, and procedures.

The House of Representatives has approximately 105 full-time employees, 156 legislator assistants, and 104 part-time employees.

An organization chart follows.

GENERAL ASSEMBLY AND SUPPORTING FUNCTIONS
HOUSE OF REPRESENTATIVES
ORGANIZATION CHART
JUNE 30, 1999

